



Memorandum

To: Honorable Mayor Maso and Members of the Frisco City Council

cc: George Purefoy, City Manager
Cissy Sylo, P.E., Director of Engineering Services
Elizabeth Metting, P.E., Assistant Director / City Engineer

From: Lori Chapin, P.E., Senior Engineer

Date: December 16, 2008

Subject: Consider and act upon adoption of an Ordinance establishing a Municipal Storm Water Utility System and an Ordinance establishing a Municipal Storm Water Utility System Fee Schedule.

Action Requested: Consider and act upon adoption of an Ordinance establishing a Municipal Storm Water Utility System and an Ordinance establishing a Municipal Storm Water Utility System Fee Schedule.

Background Information: The Texas Water Code (TWC) Section 26.121 prohibits any unauthorized discharge of waste into or adjacent to any water in the State which will cause pollution of any water in the State, as well as any unauthorized discharge of any pollutant from any point source, including a municipal storm sewer system. The Texas Water Code Section 26.027 gives the Texas Commission on Environmental Quality (TCEQ) the authority to issue a general permit for storm water that allows such discharges through the permitting process. The Phase II general permit was adopted by TCEQ on August 13, 2007. To apply for coverage under the general permit, the City of Frisco was required to submit a Notice of Intent (NOI) and a Storm Water Management Program (SWMP) to TCEQ by February 11, 2008.

The NOI is a standard form that contains operator (City of Frisco) information. The SWMP is a comprehensive plan to manage the quality of discharges from the Municipal Separate Storm Sewer System (MS4). The program must be developed to reduce the discharge of pollutants to the "maximum extent practicable" to protect water quality and must include the following six minimum control measures:

- 1 Public Education and Outreach on Storm Water Impacts
- 2 Public Involvement/Participation
- 3 Illicit Discharge Detection and Elimination
- 4 Construction Site Storm Water Runoff Control

- 5 Post-Construction Storm Water Management in New Development and Re-development
- 6 Pollution Prevention/Good Housekeeping for Municipal Operations

The SWMP must also include a timeline that demonstrates a schedule for implementation of all elements within five years or by August 11, 2012.

The City contracted with Freese and Nichols, Inc. on October 16, 2007 to develop the City's Phase II MS4 Storm Water Management Plan. The comprehensive plan addresses specific actions that will be implemented over a five-year period to reduce pollutants to the "maximum extent practicable" and protect the City's storm water quality. The plan was developed utilizing existing City programs and activities, referred to as Best Management Practices (BMPs), and is supplemented with several new BMP's. The plan provides a phased schedule for implementation of the BMPs and sets measurable goals for each of the next five years.

The SWMP was submitted to TCEQ on February 11, 2008. The plan has been reviewed by the TCEQ and is accepted following a public notice period, which began on September 11, 2008. Following the notice period, the plan is accepted and implementation must begin immediately upon receipt of written authorization from TCEQ. As of December 1, 2008, we have not received authorization from TCEQ.

Phased Approach

The City is currently performing activities for 12 of the 37 BMPs, which are considered to partially meet compliance. Refer to Figure 1 for a list of the BMPs that are currently being performed and the associated department performing the activity. In order to fully meet compliance, each BMP requires specific documentation and recordkeeping activities. Support from existing City services, as well as the addition of new staff and equipment will be needed to fully comply with the 12 existing BMPs, as well as meeting the new BMPs.

A funding system needs to be implemented to finance the additional staff and equipment required to meet compliance. The City contracted with Freese and Nichols, Inc. on March 18, 2008 to develop a Storm Water Utility as a funding mechanism for the Phase II MS4 requirements. A storm water utility fee is a common approach selected by many cities in the Metroplex and throughout Texas to fund these activities. For a storm water utility, the services must be drainage-related and be based on the cost of providing services in the City. Properties are to be assessed based on their impact to the storm system, and service fees must be "nondiscriminatory, reasonable, and equitable."

Staff and Equipment

FNI worked with City staff to determine the additional staff and equipment required to meet the BMPs. Because the plan is phased over five years, FNI worked to determine the timing for when the additional resources would be needed. The following Table 1 outlines the proposed phasing of staff and equipment and the projected costs:

| Table 1 Staff and Equipment Costs | | | | | |
|--|--|--|--|--|--|
| Item* | Permit Year 1 (FY07-08) | Permit Year 2 (FY08-09) | Permit Year 3 (FY09-10) | Permit Year 4 (FY10-11) | Permit Year 5 (FY11-12) |
| Storm Water Quality Education Coordinator | -- | \$67,500 | \$70,875 | \$74,419 | \$75,298 |
| Educational Materials | -- | \$50,000 | \$52,500 | \$55,125 | \$56,243 |
| Storm Water Engineer | -- | \$128,250 | \$134,663 | \$141,396 | \$144,264 |
| Storm System Inspector | -- | \$66,150 | \$69,458 | \$72,930 | \$74,410 |
| Inspector Pick-up | | \$3,057 | \$3,057 | \$3,057 | \$3,057 |
| Storm System Crew #1 | -- | \$205,200 | \$215,461 | \$226,233 | \$230,822 |
| Crew # 1 Equipment | -- | \$39,881 | \$96,055 | \$96,055 | \$95,520 |
| Storm System Crew #2 | -- | -- | -- | \$205,200 | \$213,408 |
| Storm System Supervisor | -- | -- | -- | \$68,850 | \$71,604 |
| Supervisor Pick-up | | | | \$3,307 | \$3,307 |
| Crew #2 Equipment | -- | -- | -- | \$72,634 | \$71,258 |
| Miscellaneous Materials | | \$15,000 | \$15,750 | \$16,539 | \$16,872 |

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*Salaries include benefits.

These resources were determined based on the measurable goals established for each BMP as outlined in the SWMP.

Administration

The successful operation of this fund requires the support and services of other departments including billing and customer service. A portion of the fee will include an administrative reimbursement cost to account for the rendering of these services. Administrative costs are determined as a percentage of the overall expenditures related to the storm water utility.

Operating Reserve

The City intends to develop and maintain a three-month operating reserve for the Storm Water Utility Fund to account for contingency expenses and will be accumulated during the first two years of the storm water utility.

Total Projected Cost of Service

Based on a service level, which is equivalent to Compliance plus Maintenance and Planning, the projected cost on an annual basis is as follows:

| Table 2 Projected Cost of Service | | | | | |
|--|---|---|---|---|---|
| Cost | Permit Year 1 (FY 07-08) | Permit Year 2 (FY 08-09) | Permit Year 3 (FY 09-10) | Permit Year 4 (FY 10-11) | Permit Year 5 (FY 11-12) |
| Labor | -- | \$467,100 | \$490,455 | \$789,028 | \$810,436 |
| Equipment | -- | - | \$45,084 | \$45,084 | \$116,184 |
| O&M | | \$65,000 | \$105,473 | \$171,384 | \$267,155 |
| Maintenance & Planning | -- | \$526,488 | \$551,488 | \$577,738 | \$605,301 |
| Administration Reimbursement | -- | \$63,515 | \$71,550 | \$94,994 | \$107,945 |
| Operating Reserve | -- | \$149,133 | \$83,461 | \$177,564 | \$60,119 |
| Total | -- | \$1,271,236 | \$1,347,511 | \$1,855,791 | \$1,967,139 |

User Groups

By law, the storm water utility fee must be set according to a basis that is directly related to storm water. The impact of developed properties on the City's storm water system was determined by identifying the amount of impervious area (buildings, paved parking lots, and driveways) on each property. The storm water utility fee structure is based on the type of user account. The three types of account categories are residential, non-residential and exempt.

Residential

Approximately 90 percent of the **developed** properties within the City are single-family residential (excluding apartment complexes). Residential properties currently account for approximately 60 percent of the total impervious area. A three-tiered structure based on lot square footage for assessing fees is proposed. The tiers are:

- Tier 1: less than 5,000 square feet
- Tier 2: 5,000 to 20,000 square feet
- Tier 3: greater than 20,000 square feet

At the time of the study, there were 36,787 households. The percentage of households for each tier is as follows:

| <u>Tier</u> | <u>Percentage</u> |
|--------------------|--------------------------|
| Tier 1 | 5.1% |
| Tier 2 | 92.1% |
| Tier 3 | 2.8% |

For single family residential an average amount of impervious area was calculated for each tier.

Non-residential

The remaining 10 percent of **developed** property is comprised of non-residential properties, which includes commercial, industrial, multi-family, municipal, school and church. Although non-residential properties comprise a much smaller percentage of the total developed property, each development has a higher impervious area. Non-residential properties currently account for approximately 40 percent of the impervious area. The non-residential fee is based on the actual site-specific impervious area for the property and is proportional to the residential property.

Exempt

Some developments are required to be exempted from the fees and other may be exempted. For example, the City can choose to exempt churches and schools. Mandatory exempted properties include undeveloped property, state property, and higher education. At this time the fee is based on exempting churches, schools, and City property. This amounts to approximately 6 percent of the total storm system use.

Fees and Revenue

The fees for the residential and non-residential sectors were developed to support the services, equipment and materials needed to meet the compliance requirements within the City's SWMP as described. The proposed fee structure for the residential and non-residential sectors is as follows:

| Table 3 | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Residential and Non-residential rates | | | | |
| | FY 08-09 | FY 09-10 | FY 10-11 | FY 11-12 |
| Residential | \$/house | \$/house | \$/house | \$/house |
| Tier 1 | 1.20 | 1.20 | 1.55 | 1.55 |
| Tier 2 | 2.00 | 2.00 | 2.60 | 2.60 |
| Tier 3 | 3.85 | 3.85 | 5.00 | 5.00 |
| | | | | |
| | \$/100SF | \$/100SF | \$/100SF | \$/100SF |
| Non-residential | 0.057 | 0.057 | 0.074 | 0.074 |

**FY '07-'08 was the first year of the permit; however, no fees were assessed.

The projected fees shown are over the remaining permit term. It is anticipated that the first two years will remain the same with the following two years increasing slightly. The cost of providing services and the related fees will be evaluated on an annual basis to ensure the fees remain in line with the cost of service.

The following table shows the breakdown for the projected revenue. The fees shown in the table above are based on the cost of providing services.

| Table 5 Revenue Projections | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | FY 08-09 | FY 09-10 | FY 10-11 | FY 11-12 |
| Residential | \$948,165 | \$948,165 | \$1,284,500 | \$1,284,500 |
| Non-residential | \$406,357 | \$406,357 | \$550,500 | \$550,500 |
| Total Revenue | \$1,354,522 | \$1,354,522 | \$1,835,000 | \$1,835,000 |

Fee Comparison

The monthly fees determined for Frisco compare favorably to the neighboring cities of Allen, McKinney and Plano, where the rate for an average residential home (Tier 2) is between \$2.75 and \$3.30. The non-residential rate for these cities ranges from 4.8 cents to 11.7 cents per 100 square feet of impervious area (IA). The following table summarizes the local area fees:

| Table 4 City Comparison Residential and Non-residential Monthly Rates | | | | |
|--|--|---|-------------------------------------|---------------|
| | Allen | McKinney | Plano | Frisco |
| Small Residential | \$2.75 | \$2.75 | \$2.25 | \$1.20 |
| Average Residential | \$2.75 | \$2.75 | \$3.30 | \$2.00 |
| Large Residential | \$2.75 | \$2.75 | \$4.25 | \$3.85 |
| Non-residential (100 SF IA/mo) | \$0.48 Min - \$18.72/mo Max - \$50.00/mo | \$0.117 Min - \$2.75/mo Max - \$200.00/mo | \$0.056 + 10% IA Min - \$2.25/mo | \$0.057 |
| Examples | | | | |
| Small (McDonalds) | \$17.00 | \$37.00 | \$19.00 | \$17.00 |
| Large (Brookshires) | \$50.00 | \$175.00 | \$92.00 | \$85.00 |

Alternatives: City Council could consider the following alternatives:

- Approval of an Ordinance Adopting Municipal Storm Water Utility System;
- Approval of an Ordinance Adopting Municipal Storm Water Utility System Fee Schedule;
- Input towards the discussion as desired;
- Deny approval of the Ordinances and send back to staff with direction.

Financial Considerations: Implementation of a Municipal Storm Water Utility System and Fee Schedule for FY 08-09. Approval for future increases in the Storm Water Utility Fee requires City Council approval.

Legal Review: The Ordinances have been reviewed and approved by the City Attorney's Office as to form and legality.

Supporting Documents:

- Ordinance Adopting Municipal Storm Water Utility System
- Ordinance Adopting Municipal Storm Water Utility System Fee Schedule
- Power Point
- Storm Water Utility Fee Development Report

Staff Recommendation: Staff recommends placement of this item on the December 16, 2008 City Council meeting agenda to consider and act upon adoption of an Ordinance establishing a Municipal Storm Water Utility System and an Ordinance establishing a Municipal Storm Water Utility System Fee Schedule. Staff will be present at the meeting to address the City Council's questions relating to this agenda item.